

ANITA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2007 Election)**

Dr. Gerald Wessels	President	2009
Randall Rabe	Vice President	2007
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2007
Julie Williamson	Board Member	2008

**Board of Education
(After September 2007 Election)**

Randall Rabe	President	2011
Dr. Gerald Wessels	Vice President	2009
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2011
Julie Williamson	Board Member	2008

School Officials

John Brazell	Superintendent	2008
Glennnda Nelsen	District Secretary and District Treasurer	2008
Sue Seitz	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District, Anita, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Anita Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2009 on our consideration of Anita Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anita Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Anita Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,894,348 in fiscal 2007 to \$2,765,717 in fiscal 2008, while General Fund expenditures increased from \$2,970,006 in fiscal 2007 to \$2,996,365 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$548,195 in fiscal 2007 to a balance of \$317,547 in fiscal 2008, a 42.07% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the instruction function area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Anita Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Anita Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Anita Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Anita Community School District Annual Financial Report

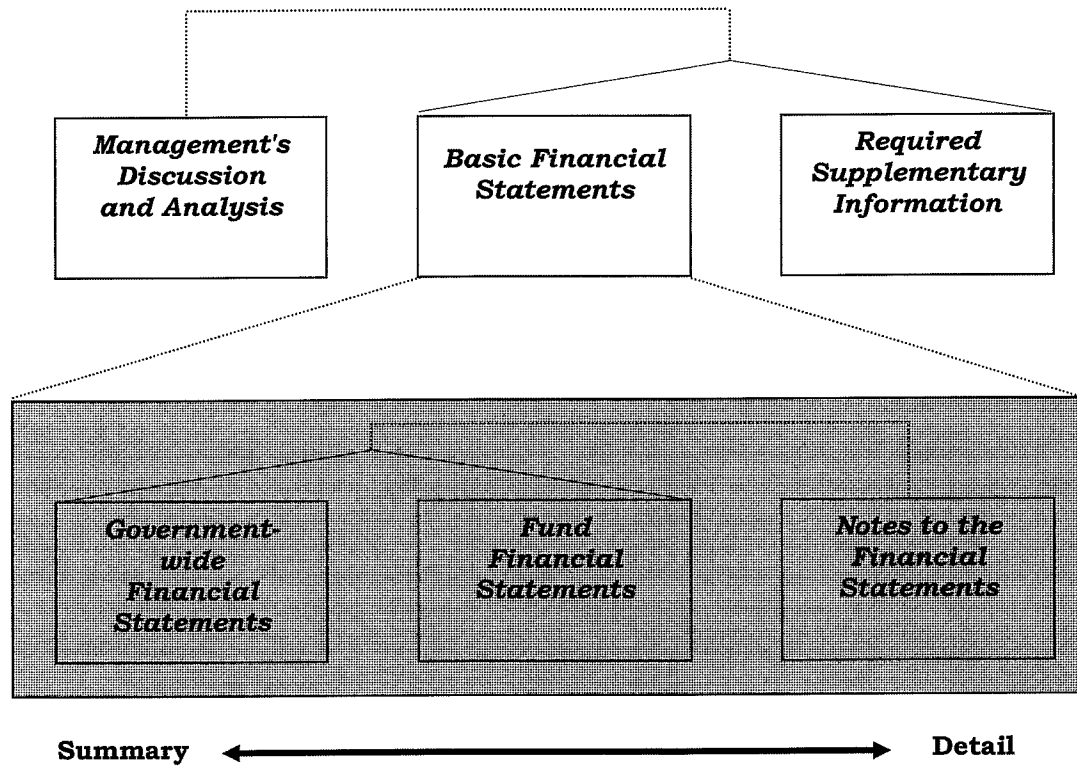


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are

one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,126,106	2,226,597	19,593	15,476	2,145,699	2,242,073	-4.30%
Capital assets	1,646,626	1,628,824	8,065	8,570	1,654,691	1,637,394	1.06%
Total assets	3,772,732	3,855,421	27,658	24,046	3,800,390	3,879,467	-2.04%
Long-term obligations	1,023	0	0	0	1,023	0	100.00%
Other liabilities	1,256,794	1,284,682	1,001	591	1,257,795	1,285,273	-2.14%
Total liabilities	1,257,817	1,284,682	1,001	591	1,258,818	1,285,273	-2.06%
Net assets:							
Invested in capital assets, net of related debt	1,646,626	1,628,824	8,065	8,570	1,654,691	1,637,394	1.06%
Restricted	492,204	341,584	0	0	492,204	341,584	44.09%
Unrestricted	376,085	600,331	18,592	14,885	394,677	615,216	-35.85%
Total net assets	\$ 2,514,915	2,570,739	26,657	23,455	2,541,572	2,594,194	-2.03%

The District's combined net assets decreased by 2.03%, or \$52,622, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$150,620, or 44.09% over the prior year. This increase was primarily due to the increase in fund balance in the Special Revenue, Management Fund.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$220,539, or 35.85%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 500,200	376,263	91,087	81,823	591,287	458,086	29.08%
Operating grants and contributions and restricted interest	407,774	541,701	56,017	54,728	463,791	596,429	-22.24%
General revenues:							
Property tax	1,082,057	1,053,786	0	0	1,082,057	1,053,786	2.68%
Local option sales and services tax	160,142	165,748	0	0	160,142	165,748	-3.38%
Unrestricted state grants	1,041,420	1,190,694	0	0	1,041,420	1,190,694	-12.54%
Other	55,106	72,445	291	266	55,397	72,711	-23.81%
Total revenues	3,246,699	3,400,637	147,395	136,817	3,394,094	3,537,454	-4.05%
Program expenses:							
Governmental activities:							
Instructional	2,096,252	2,102,382	0	0	2,096,252	2,102,382	-0.29%
Support services	1,046,092	1,026,134	0	230	1,046,092	1,026,364	1.92%
Non-instructional programs	0	0	144,193	139,992	144,193	139,992	3.00%
Other expenses	160,179	158,223	0	0	160,179	158,223	1.24%
Total expenses	3,302,523	3,286,739	144,193	140,222	3,446,716	3,426,961	0.58%
Changes in net assets	(55,824)	113,898	3,202	(3,405)	(52,622)	110,493	-147.62%
Beginning net assets	2,570,739	2,456,841	23,455	26,860	2,594,194	2,483,701	4.45%
Ending net assets	\$ 2,514,915	2,570,739	26,657	23,455	2,541,572	2,594,194	-2.03%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 70.34% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.80% of the revenue from business-type activities.

The District's total revenues were \$3,394,094 of which \$3,246,699 was for governmental activities and \$147,395 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 4.05% decrease in revenues and a 0.58% increase in expenses. Local tax increased by \$28,271 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,246,699 and expenses were \$3,302,523.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,096,252	2,102,382	-0.29%	1,281,402	1,287,548	-0.48%
Support services	1,046,092	1,026,134	1.94%	1,046,092	1,014,769	3.09%
Other expenses	160,179	158,223	1.24%	67,055	66,458	0.90%
Totals	<u>\$ 3,302,523</u>	<u>3,286,739</u>	<u>0.48%</u>	<u>2,394,549</u>	<u>2,368,775</u>	<u>1.09%</u>

- The cost financed by users of the District's programs was \$500,200.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$407,774.
- The net cost of governmental activities was financed with \$1,082,057 in property tax, \$160,142 in local option sales and services tax, \$1,041,420 in unrestricted state aid, \$35,052 in interest income and \$20,054 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$147,395 and expenses were \$144,193. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Anita Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$792,686, below last year's ending fund balance of \$870,405. The primary reason for the decrease in combined fund balance in fiscal 2008 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$548,195 on June 30, 2007 to \$317,547 on June 30, 2008. The District's General Fund financial position is the product of many factors. A decrease in the state and federal sources during the year resulted in a decrease in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Revenues did not exceed expenditures ensuring the decline in the District's financial position.
- The Special Revenue, Management Levy Fund balance increased during the current year from \$110,507 in 2007, to \$115,458 in 2008. This increase resulted from controlled spending during the year.
- The Capital Projects Fund balance increased during the current year from \$151,515 in 2007 to \$183,039 in 2008. This increase resulted from a decrease in expenditures during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$23,455 at June 30, 2007 to \$26,657 at June 30, 2008, representing an increase of 13.65%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$199,946 less than budgeted revenues, a variance of 5.57. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,654,691, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.06% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$127,154.

The original cost of the District's capital assets was \$3,815,654. Governmental funds account for \$3,768,995 with the remainder of \$46,659 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$260,532 at June 30, 2008, compared to \$208,199 reported at June 30, 2007. This increase is due to the computer and vehicle purchases during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,351,917	1,384,515	0	0	1,351,917	1,384,515	-2.35%
Land improvements	35,599	38,037	0	0	35,599	38,037	-6.41%
Machinery and equipment	252,467	199,629	8,065	8,570	260,532	208,199	25.14%
Total	\$ 1,646,626	1,628,824	8,065	8,570	1,654,691	1,637,394	1.06%

Long-Term Debt

At June 30, 2008, the District had early retirement debt outstanding of \$1,023. This represents an increase of 100% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had early retirement payable of \$1,023 at June 30, 2008 payable from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Early Retirement	\$ 1,023	0	100.00%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- Inflation and the cost of living increases continue to affect the residents of the District.
- A pattern of declining enrollment persists in the District. This will reduce the amount of revenue available to fund educational programs and service in the future.
- A lower tax levy will decrease the tax revenues that the District will receive in the 2008-09 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Glennda Nelsen, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 782,281	7,967	790,248
Receivables:			
Property tax:			
Delinquent	20,261	0	20,261
Succeeding year	1,186,454	0	1,186,454
Income surtax	76,626	0	76,626
Accounts	0	109	109
Due from other governments	60,484	0	60,484
Inventories	0	11,517	11,517
Capital assets, net of accumulated depreciation (Note 3)	1,646,626	8,065	1,654,691
Total Assets	3,772,732	27,658	3,800,390
Liabilities			
Accounts payable	61,043	0	61,043
Deferred revenue:			
Succeeding year property tax	1,186,454	0	1,186,454
Other	9,297	0	9,297
Unearned revenue	0	1,001	1,001
Long-term liabilities (Note 4):			
Portion due within one year:			
Early retirement payable	1,023	0	1,023
Total Liabilities	1,257,817	1,001	1,258,818
Net Assets			
Invested in capital assets, net of related debt	1,646,626	8,065	1,654,691
Restricted for:			
Beginning teacher improvement	545	0	545
Salary improvement program	1,816	0	1,816
Early intervention	10,179	0	10,179
Professional development	5,548	0	5,548
Capital projects	183,039	0	183,039
Management levy	114,435	0	114,435
Physical plant and equipment levy	81,824	0	81,824
Public education and recreation levy	22,925	0	22,925
Other special revenue purposes	71,893	0	71,893
Unrestricted	376,085	18,592	394,677
Total Net Assets	\$ 2,514,915	26,657	2,541,572

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,286,477	283,987	301,386	(701,104)	0	(701,104)
Special instruction	363,564	40,147	13,264	(310,153)	0	(310,153)
Other instruction	446,211	176,066	0	(270,145)	0	(270,145)
	<u>2,096,252</u>	<u>500,200</u>	<u>314,650</u>	<u>(1,281,402)</u>	<u>0</u>	<u>(1,281,402)</u>
Support services:						
Student services	43,735	0	0	(43,735)	0	(43,735)
Instructional staff services	108,425	0	0	(108,425)	0	(108,425)
Administration services	386,762	0	0	(386,762)	0	(386,762)
Operation and maintenance of plant services	304,646	0	0	(304,646)	0	(304,646)
Transportation services	202,524	0	0	(202,524)	0	(202,524)
	<u>1,046,092</u>	<u>0</u>	<u>0</u>	<u>(1,046,092)</u>	<u>0</u>	<u>(1,046,092)</u>
Other expenditures:						
Facilities acquisitions	14,968	0	0	(14,968)	0	(14,968)
AEA flowthrough	93,124	0	93,124	0	0	0
Depreciation(unallocated)*	52,087	0	0	(52,087)	0	(52,087)
	<u>160,179</u>	<u>0</u>	<u>93,124</u>	<u>(67,055)</u>	<u>0</u>	<u>(67,055)</u>
Total governmental activities	3,302,523	500,200	407,774	(2,394,549)	0	(2,394,549)
Business-Type activities:						
Non-instructional programs:						
Food service operations	144,193	91,087	56,017	0	2,911	2,911
Total business-type activities	144,193	91,087	56,017	0	2,911	2,911
Total	<u>\$ 3,446,716</u>	<u>591,287</u>	<u>463,791</u>	<u>(2,394,549)</u>	<u>2,911</u>	<u>(2,391,638)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 997,792	0	997,792
Capital outlay				84,265	0	84,265
Local option sales and services tax				160,142	0	160,142
Unrestricted state grants				1,041,420	0	1,041,420
Unrestricted investment earnings				35,052	291	35,343
Other				20,054	0	20,054
Total general revenues				<u>2,338,725</u>	<u>291</u>	<u>2,339,016</u>
Changes in net assets				(55,824)	3,202	(52,622)
Net assets beginning of year				<u>2,570,739</u>	<u>23,455</u>	<u>2,594,194</u>
Net assets end of year				<u>\$ 2,514,915</u>	<u>26,657</u>	<u>2,541,572</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Special Revenue: Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 310,605	114,440	182,320	174,916	782,281
Receivables:					
Property tax:					
Delinquent	17,517	1,018	0	1,726	20,261
Succeeding year	1,050,328	43,000	0	93,126	1,186,454
Income surtax	76,626	0	0	0	76,626
Due from other governments	45,660	0	14,824	0	60,484
Total Assets	\$ 1,500,736	158,458	197,144	269,768	2,126,106
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 46,938	0	14,105	0	61,043
Deferred revenue:					
Succeeding year property tax	1,050,328	43,000	0	93,126	1,186,454
Income surtax	76,626	0	0	0	76,626
Other	9,297	0	0	0	9,297
Total liabilities	1,183,189	43,000	14,105	93,126	1,333,420
Fund balances:					
Reserved for:					
Beginning teacher mentoring	545	0	0	0	545
Salary improvement program	1,816	0	0	0	1,816
Early intervention	10,179	0	0	0	10,179
Professional development	5,548	0	0	0	5,548
Unreserved	299,459	115,458	183,039	176,642	774,598
Total fund balances	317,547	115,458	183,039	176,642	792,686
Total Liabilities and Fund Balances	\$ 1,500,736	158,458	197,144	269,768	2,126,106

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 792,686

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 1,646,626

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 76,626

Long-term liabilities, including early retirement payable
are not due and payable in the current period and,
therefore, are not reported as liabilities in the
governmental funds. (1,023)

Net assets of governmental activities (page 13) \$ 2,514,915

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Special Revenue: Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 942,990	49,686	160,142	84,265	1,237,083
Tuition	324,134	0	0	0	324,134
Other	45,834	9,076	6,350	169,912	231,172
Intermediate sources	5,687	0	0	0	5,687
State sources	1,332,903	41	0	69	1,333,013
Federal sources	110,494	0	0	0	110,494
Total revenues	2,762,042	58,803	166,492	254,246	3,241,583
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,268,454	13,980	12,986	0	1,295,420
Special instruction	363,302	0	0	0	363,302
Other instruction	301,112	0	0	146,929	448,041
	1,932,868	13,980	12,986	146,929	2,106,763
Support services:					
Student services	43,123	612	0	0	43,735
Instructional staff services	109,964	227	815	0	111,006
Administration services	376,602	9,350	0	0	385,952
Operation and maintenance of plant services	279,219	12,609	12,608	0	304,436
Transportation services	161,465	7,074	77,403	0	245,942
	970,373	29,872	90,826	0	1,091,071
Other expenditures:					
Facilities acquisitions	0	0	31,156	863	32,019
AEA flowthrough	93,124	0	0	0	93,124
	93,124	0	31,156	863	125,143
Total expenditures	2,996,365	43,852	134,968	147,792	3,322,977
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(234,323)	14,951	31,524	106,454	(81,394)
OTHER FINANCING SOURCES (USES):					
Sale of property	3,675	0	0	0	3,675
Net change in fund balances	(230,648)	14,951	31,524	106,454	(77,719)
Fund balance beginning of year	548,195	100,507	151,515	70,188	870,405
Fund balance end of year	\$ 317,547	115,458	183,039	176,642	792,686

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (77,719)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense, and the loss disposal of assets in the year are as follows:

Capital outlays	\$ 144,541	
Depreciation expense	(125,563)	
Loss on disposal of capital assets	<u>(1,176)</u>	17,802

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	5,116
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(1,023)</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ (55,824)</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 7,967
Receivables:	
Accounts	109
Inventories	11,517
Capital assets, net of accumulated depreciation(Note 3)	<u>8,065</u>
Total Assets	<u>27,658</u>
Liabilities	
Unearned revenue	<u>1,001</u>
Net Assets	
Invested in capital assets	8,065
Unrestricted	<u>18,592</u>
Total Net Assets	<u><u>\$ 26,657</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 91,087</u>
Non-instructional programs:	
Food service operations:	
Salaries	53,726
Benefits	7,172
Services	1,247
Supplies	80,457
Depreciation	1,591
	<u>144,193</u>
TOTAL OPERATING EXPENSES	<u>144,193</u>
OPERATING LOSS	<u>(53,106)</u>
NON-OPERATING REVENUES:	
State sources	1,583
Federal sources	54,434
Interest on investments	291
TOTAL NON-OPERATING REVENUES	<u>56,308</u>
Change in net assets	3,202
Net assets beginning of year	<u>23,455</u>
Net assets end of year	<u><u>\$ 26,657</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 91,388
Cash payments to employees for services	(60,898)
Cash payments to suppliers for goods or services	<u>(73,874)</u>
Net cash used in operating activities	<u>(43,384)</u>
Cash flows from non-capital financing activities:	
State grants received	1,583
Federal grants received	<u>44,822</u>
Net cash provided by non-capital financing activities	<u>46,405</u>
Cash flows from investing activities:	
Interest on investments	<u>291</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(1,086)</u>
Net decrease in cash and cash equivalents	2,226
Cash and cash equivalents at beginning of year	<u>5,741</u>
Cash and cash equivalents at end of year	<u>\$ 7,967</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (53,106)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,612
Depreciation	1,591
Increase in accounts receivable	(109)
Increase in inventories	(1,782)
Increase in unearned revenue	410
Net cash used in operating activities	<u>\$ (43,384)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 7,967</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$9,612.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 65,508</u>
Liabilities	
Due to other groups	<u>\$ 65,508</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Anita Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Anita Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Anita Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cass, Adair and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Agency Fund.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in

nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one reporting year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 565,071</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	6,643	0	0	6,643
Capital assets being depreciated:				
Buildings	2,849,437	17,051	0	2,866,488
Land improvements	48,761	0	0	48,761
Machinery and equipment	1,045,563	127,490	325,950	847,103
Total capital assets being depreciated	3,943,761	144,541	325,950	3,762,352
Less accumulated depreciation for:				
Buildings	1,464,922	49,649	0	1,514,571
Land improvements	10,724	2,438	0	13,162
Machinery and equipment	845,934	73,476	324,774	594,636
Total accumulated depreciation	2,321,580	125,563	324,774	2,122,369
Total capital assets being depreciated, net	1,622,181	18,978	1,176	1,639,983
Governmental activities capital assets, net	\$ 1,628,824	18,978	1,176	1,646,626
Business-type activities:				
Machinery and equipment	\$ 45,573	1,086	0	46,659
Less accumulated depreciation	37,003	1,591	0	38,594
Business-type activities capital assets, net	\$ 8,570	(505)	0	8,065

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 11,895
Special	262
Other	2,635

Support services:

Instructional support staff	9,497
Administration	810
Operation and maintenance	1,296
Transportation	47,081
Unallocated depreciation	<u>52,087</u>

Total governmental activities depreciation expense	<u>\$ 125,563</u>
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Business-type activities:

Food services	<u>\$ 1,591</u>
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(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance			Balance	Due
	Beginning			End of	Within
	of Year	Additions	Deletions	Year	One Year
Early Retirement	\$ 0	1,023	0	1,023	0

Early Retirement

The District offered a voluntary early retirement plan to its certified employees that are at least 55 years of age. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are based on the employee's remaining sick leave days multiplied by a dollar amount based on the date of resignation. The liability will be paid out of the Special Revenue, Management Levy Fund.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$98,217, \$91,343, \$85,997, respectively, equal to the required contributions for each year.

(6) Risk Management

Anita Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$93,124 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,792,389	91,378	1,883,767	1,917,801	1,917,801	(34,034)
Intermediate sources	5,687	0	5,687	20,000	20,000	(14,313)
State sources	1,333,013	1,583	1,334,596	1,410,623	1,410,623	(76,027)
Federal sources	110,494	54,434	164,928	240,500	240,500	(75,572)
Total revenues	3,241,583	147,395	3,388,978	3,588,924	3,588,924	(199,946)
Expenditures:						
Instruction	2,106,763	0	2,106,763	2,800,575	2,800,575	693,812
Support services	1,091,071	0	1,091,071	1,110,200	1,110,200	19,129
Non-instructional programs	0	144,193	144,193	182,000	182,000	37,807
Other expenditures	125,143	0	125,143	278,586	278,586	153,443
Total expenditures	3,322,977	144,193	3,467,170	4,371,361	4,371,361	904,191
Excess(deficiency) of revenues over(under) expenditures	(81,394)	3,202	(78,192)	(782,437)	(782,437)	704,245
Other financing sources, net	3,675	0	3,675	(34,000)	(34,000)	37,675
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(77,719)	3,202	(74,517)	(816,437)	(816,437)	741,920
Balance beginning of year	870,405	23,455	893,860	1,071,626	1,071,626	(177,766)
Balance end of year	\$ 792,686	26,657	819,343	255,189	255,189	564,154

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Physical Plant and Student Activity	Equipment Levy	Public Education and Recreation Levy	
Assets				
Cash and pooled investments	\$ 71,893	80,303	22,720	174,916
Receivables:				
Property tax:				
Current year delinquent	0	1,521	205	1,726
Succeeding year	0	82,049	11,077	93,126
Total Assets	\$ 71,893	163,873	34,002	269,768
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 0	82,049	11,077	93,126
Total liabilities	0	82,049	11,077	93,126
Fund balances:				
Unreserved	71,893	81,824	22,925	176,642
Total fund balances	71,893	81,824	22,925	176,642
Total Liabilities and Fund Balances	\$ 71,893	163,873	34,002	269,768

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Physical Plant and Student Activity	Equipment Levy	Public Education and Recreation Levy	
REVENUES:				
Local sources:				
Local tax	\$ 0	73,405	10,860	84,265
Other	166,313	1,857	1,742	169,912
State sources	0	61	8	69
TOTAL REVENUES	166,313	75,323	12,610	254,246
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	146,929	0	0	146,929
Other expenditures:				
Facilities acquisitions	0	0	863	863
TOTAL EXPENDITURES	146,929	0	863	147,792
Net change in fund balances	19,384	75,323	11,747	106,454
Fund balance beginning of year	52,509	6,501	11,178	70,188
Fund balance end of year	\$ 71,893	81,824	22,925	176,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 6,396	44,396	37,047	13,745
Athletic Students	1,380	2,249	2,344	1,285
Cheerleaders	50	1,552	1,758	(156)
Industrial Arts	2,214	1,314	3,513	15
NFL/Q & S	3,035	3,918	3,493	3,460
FFA	3,265	33,279	31,928	4,616
Graduating Classes	12,493	39,009	27,542	23,960
Yearbook	7,457	8,295	7,956	7,796
Interest/Inactive Accounts	6	1,424	1,033	397
Juice/Pop Account	173	14,686	13,799	1,060
NHS/Student Council	937	3,319	3,989	267
Music	126	0	84	42
Academic Clubs	845	1,525	1,324	1,046
Track Club Concessions	27	0	0	27
Elementary Accounts	14,105	11,347	11,119	14,333
Total	\$ 52,509	166,313	146,929	71,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Additions				
Cash and pooled investments	\$ 21,007	64,357	19,856	65,508
Deductions				
Due to other groups	\$ 21,007	64,357	19,856	65,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,237,083	1,211,430	1,181,277	1,083,074	1,019,143
Tuition	324,134	168,781	154,186	234,501	228,444
Other	231,172	280,183	246,391	267,982	259,823
Intermediate sources	5,687	8,149	9,152	8,336	8,501
State sources	1,333,013	1,525,542	1,441,469	1,413,456	1,243,062
Federal sources	110,494	198,448	123,564	166,590	226,247
Total	<u>\$ 3,241,583</u>	<u>3,392,533</u>	<u>3,156,039</u>	<u>3,173,939</u>	<u>2,985,220</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,295,420	1,107,877	1,067,190	1,250,804	1,332,693
Special instruction	363,302	462,615	407,609	321,014	360,844
Other instruction	448,041	526,610	492,865	564,976	358,266
Support services:					
Student services	43,735	64,431	68,305	53,601	41,595
Instructional staff services	111,006	186,025	67,102	96,163	59,972
Administration services	385,952	311,326	276,408	287,390	281,365
Operation and maintenance of plant services	304,436	266,717	252,971	239,164	214,094
Transportation services	245,942	269,909	170,033	181,682	108,074
Central services	0	0	0	0	954
Non-instructional programs	0	0	288	9,951	3,425
Other expenditures:					
Facilities acquisitions	32,019	61,650	165,748	47,563	63,857
AEA flow-through	93,124	91,765	89,801	89,219	90,188
Total	<u>\$ 3,322,977</u>	<u>3,348,925</u>	<u>3,058,320</u>	<u>3,141,527</u>	<u>2,915,327</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anita Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anita Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Anita Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anita Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Anita Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Anita Community School District's financial statements that is more than inconsequential will not be prevented or detected by Anita Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Anita Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anita Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Anita Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Anita Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Anita Community School District and other parties to whom Anita Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2009

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The CAM Industrial Arts account appears to be instructional in nature. We also noted, that the Elementary activities miscellaneous account had purchases of reading books from it. The CAM Industrial Arts account and the book expenditures appear to be instructional in nature and are more appropriately handled from the general fund.

The District writes various checks throughout the year for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - A copy of the auditor's findings and recommendation will be given to the appropriate staff and administration in an effort to correct.

Conclusion - Response accepted.

- I-C-08 Purchase Orders - We noted during our audit, that the District currently uses purchase orders in the purchase process, however, many of the purchase orders are actually completed after the product has been ordered and at time may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that, the approval of items being purchased, are noted prior to ordering of the items. In addition, when they are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be a helpful tool in knowing the outstanding orders which will subsequently paid.. Therefore, allowing the person who approves the purchase orders, to have the insight of knowing, if the funding is available to make the purchase.

Although, Districts are not required to use a purchase order system, the benefits to financial management, makes the system desirable. The District current purchase order system should be reviewed and the necessary changes made, so that all disbursements are approved by the appropriated administrator, before the purchase of supplies takes place.

Response - This has been discussed already with staff overseeing incoming and outgoing purchase orders to correct as well as with offenders.

Conclusion - Response accepted.

- I-D-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches/sponsors who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - We will keep making the effort to have coaches/sponsors return their time sheets.

Conclusion - Response accepted.

- I-E-08 Cell Phone Allowance - We noted during our audit that the District was paying a flat monthly dollar allowance for cell phones for some employees. We also noted that the District hasn't implemented a cell phone policy

Recommendation - Employees that receive allowances in conjunction with an unaccountable plan should have the allowance added to payroll with the appropriate taxes withheld. The policy should address the issues and requirements for employees who will utilize district owned cell phones or who receive a dollar allowance for their personal cell phones. The District should review its procedures in place and update or implement a cell phone policy.

Response - Employees receiving cell phone compensation is being run through payroll. A board policy will be researched and presented to the board for approval.

Conclusion - Response accepted.

I-F-08 Sale of Real Property - During our audit it was noted, that during the year, the District received revenues for the sale of land for \$1. This revenue was receipted into the General Fund, instead, of the Physical Plant and Equipment Levy(PPEL) Fund.

Recommendation - Chapter 297.22 of the Code of Iowa, states that the sales of real property will be receipted into the PPEL Fund. The District should review its procedures to ensure that the sale of real property is receipted into the PPEL Fund in the future.

Response – We will file a copy of this deficiency in all the property files and this should help in remembering in the event of another real property sale.

Conclusion - Response accepted.

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2007 was overstated by one student. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will comply.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - The District has one deficit account balance in the Special Revenue, Student Activity Fund totaling \$156.38.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - A copy of auditor's remark and recommendation will be given to staff and administration responsible for monitoring.

Conclusion - Response accepted.

II-K-08 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The Board President's signature is now on the contracts.

Conclusion - Response accepted.